

Q&A related to COVID-19

Overview of the situation

- The restrictions and instructions from governments and health authorities have a significant impact on Altia's operating environment.
- Our key priorities are the health and safety of our people and business continuity.
- Our important contribution to the society is providing denatured ethanol for hand sanitisers.
- At the production facilities where personnel is needed on-site, we have further strengthened hygiene measures and routines.
- We are continuously in close contact with our partners and suppliers to ensure the availability of products and raw materials – so far all our operations have run without any major disruptions.
- Travel retail, exports and on-trade channels are impacted by the crisis due to government restrictions. These sales channels account for about 20% of Altia's consumer beverage sales and were close to zero during Q2 2020.

How are consumer beverage segments (Finland & Exports and Scandinavia) affected?

- Sales to the monopolies and the grocery trade are affected by the recovery of travel retail and on-trade channels.
- Despite consumers shifting purchases of alcoholic beverages to monopolies and the exceptionally high monopoly volumes, the sales to monopolies will not compensate the shortfall coming from travel retail, exports and on-trade.
- A possible second wave of COVID-19 could impact consumer behaviour.
- The recovery of travel retail, exports and on-trade depends on the level and extent of governmental restrictions and recommendations on travelling, movement and social distancing.
- The pace of recovery is difficult to estimate. It is affected by changes in consumer behaviour and expected to vary across sales channels: on-trade channels could be expected to recover faster than travel retail.
- Uncertainty in the sales to the monopoly channel is related to 1) the monopoly channel remaining open and continuing normal operations which could be dependent on for example the health of the monopolies' personnel and political decision-making, and to 2) Altia's ability to deliver products.
- Consumer beverage net sales split by sales channels (2019):



How is Altia Industrial affected?

- Uncertainty is high both in industrial products and services. The demand for starch has slightly weakened due to the soft paper industry market. The stable development of feed component volumes are expected to continue. The demand for technical ethanol is expected to remain at a higher level than in the previous year. Volumes in industrial services are expected to be negatively impacted by COVID-19.
- Uncertainty in Altia's ability to deliver to the open sales channels (monopolies and grocery trade) relates to the availability of products and raw materials such as bulk wine, partner goods and dry goods.

- Uncertainty in production is related to the health and safety of Altia's employees and the availability of machinery spare parts and maintenance workforce.

What are the key impacts and uncertainties for Altia's supply chain and production?

- In Altia Industrial, the key priorities are to secure the availability of raw materials such as bulk wine, partner goods and dry goods, supply chain operations and production continuity.
- Uncertainty in production is related to the health and safety of Altia's employees and the availability of machinery spare parts and maintenance workforce.

What is Altia's liquidity position?

- The liquidity position of the Group has remained stable throughout the crisis and we will continue to focus on securing the liquidity during the upcoming months.
- The strict focus on net working capital management will continue in the upcoming quarters together with other liquidity securing actions.
- Due to the COVID-19 uncertainties, Altia has assessed the impact of the pandemic on its financial position and has considered the values of assets and liabilities that include critical accounting estimates and require management judgement. Based on this assessment, Altia has not identified any indication of goodwill impairment.
- The credit risk of trade receivables and the amount of bad debt provision has been analysed at the end of reporting period with the conclusion being there is sufficient provision in place.

What is your view on the recovery from the crisis?

- The visibility for the rest of the year is poor and forecasting is difficult. Uncertainty in the economy remains at a high level and the risk of an economic slowdown is high.
- The recovery of the consumer beverage sales depends on the level and extent of governmental restrictions and recommendations on travelling, movement and social distancing.
- The pace of recovery is difficult to estimate. It is affected by changes in consumer behaviour and expected to vary across sales channels: on-trade channels could be expected to recover faster than travel retail.